FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

January 21, 2005

In Reply Refer To:
Cheyenne Plains Gas Pipeline
Company, L.L.C.
Docket No. RP05-136-000

Cheyenne Plains Gas Pipeline Company, L.L.C.
Two North Nevada Avenue
Colorado Springs, CO 80903

Attention: Catherine E. Palazzari, Vice President

Reference: Order Accepting Tariff Sheets, Subject to Conditions, and Rejecting Other Tariff Sheet

Ladies and Gentlemen:

1. On December 23, 2004, Cheyenne Plains Gas Pipeline Company, L.L.C. (Cheyenne Plains) filed revised tariff sheets[1] to revise and clarify several tariff provisions. Cheyenne Plains asserts the revisions provide its shippers further contracting and operating flexibility. For the reasons given below, we accept certain tariff sheets listed in the Appendix, to become effective January 22, 2005, as proposed. Certain other tariff sheets are accepted subject to conditions and we reject proposed Sheet No. 402 for the reasons explained below. This order benefits the public because it clarifies Cheyenne Plains' tariff and ensures that the tariff conforms to Commission policy.

2. Cheyenne Plains states that as a result of experience gained from implementing business procedures and the further development of regulatory issues, it proposes the revised tariff sheets to: (1) update the list of permissible discounts; (2) remove the First Bidder option as a bid evaluation method for capacity release transactions; (3) modify the requirements for interruptible transportation (IT) service; (4) revise the Forms of Service Agreement; and (5) clarify various provisions of its tariff. Specifically, Cheyenne Plains has filed to delete its permissible discounts from its individual rate schedules and create a new general term and condition of service which incorporates the discount types that are in each of its separate rate schedules. Cheyenne Plains proposes to add two new types of discounts that would be permissible under its tariff. The first would permit Cheyenne

[1] See the Appendix.

Plains to offer discounts to shippers that commit production reserves under a service agreement. The second new permissible discount would allow Cheyenne Plains to use published gas prices at points in the region to establish transportation rates at a discount.

3. Cheyenne Plains proposes to remove from its tariff the First Bidder option from its list of capacity release bid evaluation methods that can be used by releasing shippers. Cheyenne Plains claims that this proposal is the same revision approved for Colorado Interstate Gas Company (CIG) in a recent Commission order.[2] Cheyenne Plains claims that even with the removal of this option, its tariff will still contain at least three methods for bid evaluations which is consistent with North American Energy Standards Board Wholesale Gas Quandrant Standard 5.3.3.

4. With regard to its interruptible transportation service, Cheyenne Plains proposes to revise its Form of Service Agreement for IT service to not include a maximum delivery quantity (MDQ) or specify particular receipt and delivery points for service. Cheyenne Plains claims that with implementation of its business systems, it can provide interruptible service based on nominated and confirmed quantities thereby eliminating the need for MDQ levels. Cheyenne Plains states that by not specifying receipt and delivery points in the service agreement, shippers will have greater flexibility in the use of their interruptible transportation contracts. Cheyenne Plains states that a list of its receipt and delivery points will be maintained on its electronic bulletin board. Associated with the proposed MDQ change, Cheyenne Plains proposes to remove the authorized overrun provision from its interruptible transportation schedule.

5. Cheyenne Plains filed tariff revisions to permit it to use a separate discount letter agreement to describe any discount a customer is receiving. Cheyenne Plains claims that the discount letter agreement will contain no other terms and conditions that would alter the service agreement with the customer.

6. Lastly, Cheyenne Plains filed a revision to its Forms of Service Agreement to replace the provision entitled “Supersedes and Cancels Prior Agreement” with a provision called “Effect on prior Agreement”. Cheyenne Plains claims this change will provide flexibility for its customers.

7. The Commission noticed Cheyenne Plains’ filing on December 29, 2004, permitting comments, protests, or interventions as provided in section 154.210 of the Commission’s regulations. Pursuant to Rule 214 (18 C.F.R. § 385.214) (2004), all timely filed motions to intervene and any motions to intervene out-of-time filed before the date this order issues are granted. No protests were received.

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[2] Docket No. RP05-40-000, unpublished letter order (CIG order) (2004).

8. Upon review of the filing, we will accept Cheyenne Plains' proposal to remove the First Bidder option from its tariff. This is consistent with our recent CIG order, where the First Bidder option was removed from CIG's tariff as a bid evaluation method. Cheyenne Plains correctly points out that a Commission audit staff report indicated that the First Bidder option may be used by releasing shippers to advantage certain replacement shippers and thereby limit competition.

9. Because of the determination that it can provide IT service without requiring an MDQ, Cheyenne Plains states that the separate scheduling and pricing category of authorized IT overrun service is no longer required. Therefore, we accept Cheyenne Plains' proposal to delete the MDQ requirement and authorized overrun provision, as well as its proposal to remove the restriction on receipt and delivery points to give IT shippers the flexibility to obtain service at any receipt and delivery point on the system. As requested by Cheyenne Plains, we clarify that previously executed IT agreements that conformed to the previous Form of Service Agreement are not required to be submitted to the Commission for a material deviation review simply because they no longer conform to the revised Form of Service Agreement.

10. With regard to discounting, Cheyenne Plains adds new section 31 to its General Terms and Conditions (GT&C) on Original Sheet Nos. 347 and 348. We find the relocation of, and additions to, the discounted rate provisions acceptable except with regard to one aspect. Although we have permitted pipelines to use the difference in published gas commodity prices at two points on a pipeline's system as a proxy for the value of the transportation between those two points, we have required that any discounts under this provision use the same rate design for the service as contained in the pipeline's tariff. In addition, we required discount agreements to identify the rate components being discounted and that the formula using the published gas prices produce a rate per unit of contract demand to the extent the firm reservation charge is the discount component.[3] Although Cheyenne Plains states in subsection 31.1(g)(1) that a specified discount rate based on published prices shall not change the underlying rate design, the tariff language does not include the other two aspects mentioned above. Therefore, consistent with the above, we require Cheyenne Plains, within 15 days of this order, to revise its tariff accordingly.

11. Also, Cheyenne Plains proposes a revision to its Imbalance Management provision with respect to its Cash Out mechanism. Cheyenne Plains proposes to include the following sentence: "Changes in the name, format or other method of reporting by the publications in 22.4(b)(iv) that do not materially effect the content shall not affect their use hereunder." We find this language generally acceptable. However, we find

[3] *Northern Natural Gas Co.*, 105 FERC ¶ 61,299 at P 19-20 (2003).

problematic the first two sentences of subsection 22.4(b)(iv) of its GT&C which state: "Each Month, Transporter shall use the reference prices listed below to determine the Cash Out Index Price. Should any of these publications become unavailable, Transporter shall substitute information posted in a similar publication."

12. This currently effective language is inconsistent with our recently issued order on Price Discovery in Natural Gas and Electric Markets (November 19 Order).[4] The tariff language above allows Cheyenne Plains to use points or publications different from those already listed in its tariff without filing with the Commission for approval of the new point or publication. In the November 19 Order, the Commission addressed issues concerning price indices in natural gas and electricity markets and described certain criteria that would have to be met by the publication and the specific point before such information could be used for certain tariff changes including cashout charges. Cheyenne Plains' tariff would allow it to use publications (and pricing points) that are not in its tariff and that may not conform with the criteria described in the November 19 Order. Therefore, we shall require Cheyenne Plains to revise the first two sentences of subsection 22.4(b)(iv) of its GT&C to permit it to use substitute information only after first filing for approval of the point or publication it wishes to use as a substitute.

13. On proposed First Revised Sheet Nos. 401 and 421, Cheyenne Plains revises its firm and interruptible Forms of Service Agreement to indicate that rate discounts may be effectuated by separate letter agreement or an electronic contract. Cheyenne Plains states that no other terms and conditions of the service agreement would be altered by the separate letter agreement. Under those circumstances, we shall accept Cheyenne Plains' proposal, but Cheyenne Plains must file with the Commission any deviations that would make such agreement or contract non-conforming.

14. Finally, on First Revised Sheet Nos. 402, Cheyenne Plains revises its Form of Service Agreement to delete the heading "Supersedes and cancels prior Agreement" and to insert a new heading "Effect on prior Agreement." Cheyenne Plains states this revision will: (1) permit it and the shipper to state in the paragraph, if applicable, whether the previous contract is being superseded and cancelled or amended and restated; (2) benefit shippers by providing them with better continuity in tracking their contracts; and (3) would more clearly indicate the applicability of certain contract rights, such as the right-of-first-refusal, in the case where an existing agreement is being amended. We are concerned with the third purpose stated above because it is unclear what would be written in the blank space provided under the "Effect on prior Agreement" heading that would amend contract rights. As a consequence, and similar to our concerns in a recently issued *Northern Natural* order,[5] we find that Cheyenne Plains' proposal to revise this aspect of

[4] Docket Nos. PL03-3-005, *et al*., 109 FERC ¶ 61,184 (2004) (November 19 Order).

[5] *Northern Natural Gas Co.*, 109 FERC ¶ 61,151 (2004).

its service agreement is too vague and allows too much flexibility as to the provisions that might be included in this section. In these circumstances, we find that we must reject First Revised Sheet No. 402 as contrary to § 154.110 of the Commission's regulations concerning forms of service agreement, without prejudice to Cheyenne Plains refiling its proposed change with more specificity as to what would be contained on the blank line in its proposed section "Effect on prior Agreement".

15. Accordingly, we direct Cheyenne Plains, within 15 days of the date this order issues, to file revised tariff sheets meeting the Commission's directives as set out in this order.

By direction of the Commission.

Linda Mitry
Deputy Secretary

cc: All Parties

Appendix

Cheyenne Plains Gas Pipeline Company, L.L.C.
FERC Gas Tariff, Original Volume No. 1

Tariff Sheets Accepted Effective January 22, 2005

First Revised Sheet No. 20
First Revised Sheet No. 103
First Revised Sheet No. 123
First Revised Sheet No. 143
First Revised Sheet No. 200
First Revised Sheet No. 287
First Revised Sheet No. 290
First Revised Sheet No. 309
First Revised Sheet No. 313
First Revised Sheet No. 315
First Revised Sheet No. 320
First Revised Sheet No. 327
First Revised Sheet No. 328
Sheet Nos. 349 – 399
First Revised Sheet No. 401
First Revised Sheet No. 407
First Revised Sheet No. 421
First Revised Sheet No. 422
First Revised Sheet No. 424
First Revised Sheet No. 425

Conditionally Accepted Tariff Sheets Effective January 22, 2005

First Revised Sheet No. 289
Original Sheet No. 347
Original Sheet No. 348

Tariff Sheet Rejected

First Revised Sheet No. 402